

Message Text

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PAGE 01 KUWAIT 05071 301126Z

14

ACTION NEA-10

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

EB-07 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-04 USIA-06 SAM-01 OES-06 SP-02 SS-15 STR-04

TRSE-00 ACDA-07 PA-01 PRS-01 (ISO) W

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R 300926Z OCT 76

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 6531

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USMISSION OECD PARIS

USMISSION EC BRUSSELS

USINT BAGHDAD

LIMITED OFFICIAL USE KUWAIT 5071

E.O. 11652: N/A

TAGS: ENRG, KU

SUBJECT: KUWAIT OIL PRODUCTION AND LIFTINGS UP

1. WINTER DEMAND FOR KUWAIT'S HEAVY CRUDE AND BUYING IN

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PAGE 02 KUWAIT 05071 301126Z

ANTICIPATION OF PREDICTED DEC 15 OPEC PRICE RISES HAVE

LED TO A SHARP INCREASE IN KUWAITI OIL PRODUCTION. ACCORDING TO KUWAIT'S OIL MINISTRY, KUWAIT PRODUCED 2.387 MILLION BB/DAY OF OIL IN SEPTEMBER, UP FROM 1.9 MILLION BB/DAY IN AUGUST AND 1.8 IN JULY. BP ASKED FOR ITS CRUDE OIL LIFTINGS TO BE INCREASED FROM ITS CONTRACTUAL 450,000 BB/DAY TO 700,000 BB/DAY AND OBTAINED AGREEMENT TO 605,000 BB/DAY, INCLUDING 100,000 BB/DAY WITHOUT THE CONCESSIONARY 15C PER BARREL DISCOUNT. GULF HAS ASKED THAT ITS LIFTING BE RAISED FROM THE CONTRACTUAL 500,000 BB/DAY TO 700,000 BB/DAY. IT OBTAINED A 60,000 BB/DAY INCREASE IN SEPTEMBER (GIVEN THE 12 PERCENT ALLOWED FOR PREVIOUS UNDERLIFTING), AND IS NOW DISCUSSING AN ADDITIONAL 100,000 BB/DAY, WHICH WOULD BRING TOTAL LIFTING TO 660,000 BB/DAY FOR THE FOURTH QUARTER. LIKE BP, GULF WOULD RECEIVE NO 15C DISCOUNT ON THE LAST 100,000 BB/DAY.

2. WE UNDERSTAND THAT KUWAIT'S THIRD MAJOR CONTRACTOR FOR OIL, SHELL, HAS EXERCISED ITS OPTION TO PURCHASE AN ADDITIONAL 50,000 BB/DAY OVER AND ABOVE ITS NORMAL 310,000 BB/DAY, AND HAS ASKED FOR 60,000 BB/DAY EXTRA, THE LATTER BEING WITHOUT THE CONCESSIONARY 15C DISCOUNT.

3. JUST AS AWARE OF THE LIKELY DECEMBER PRICE RISE AS THE MAJORS, KUWAIT'S NATIONAL REFINERY CO, KNPC, INCREASED ITS CONSUMPTION OF CRUDE TO A RECORD 201,000 BARRELS PER DAY IN SEPTEMBER. IF KNPC OFFTAKE CONTINUES AT A HIGH RATE AND BP, GULF AND SHELL OBTAIN THE AMOUNTS OF OIL THEY HAVE REQUESTED FOR THE FOURTH QUARTER, THESE COMMITMENTS WILL AMOUNT TO 1.9 MILLION BB/DAY, LEAVING LITTLE FOR SPOT SALES, WHICH WE UNDERSTAND KUWAIT IS, IN ANY EVENT, REFUSING TO MAKE.

4. COMMENT: LOCAL GULF REP DOWNPLAYED RUSH OF MAJORS TO INCREASE FOURTH QUARTER LIFTINGS, SAYING THAT IT HAD AS MUCH TO DO WITH NORMAL WINTER DEMAND FOR KUWAIT'S HEAVY CRUDE AS IT DID WITH THE DEC 15 OPEC MEETING AT DOHA. WHATEVER THE REASON, SUDDEN DEMAND IS QUITE A SWITCH FOR KUWAITIS, WHO IN JULY/AUGUST WERE TALKING OF SHAVING PRICES TO UNLOAD THEIR HEAVY, SULFUROUS CRUDE. LIMITED OFFICIAL USE

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PAGE 03 KUWAIT 05071 301126Z

TIGHT MARKET, HOWEVER SEASONAL OR ARTIFICIAL, IS LIKELY TO MAKE KUWAITIS ALL THE MORE INCLINED TO SUPPORT A PRICE RISE AT DOHA. MAESTRONE

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